



Homeowner's Guide to Property Tax in Maine

You should know that . . .

Information Sources

Maine Municipal Association of Augusta, Maine and City of Lewiston, Maine

No one likes paying taxes



No one likes paying taxes, especially when they aren't sure how they're figured or where the money goes.

For property owners, coming up with that one or two large payments each year feels more painful than . . . sales taxes, which you pay in small amounts when you buy certain everyday items . . . or income taxes, which most Maine workers pay in weekly or bi-weekly payroll deductions.

But . . . you receive valuable services for your taxes; your tax dollars pay for many and varied community services

Education

Fire Protection

Police Protection

Road Repair

Solid Waste Pick-up

Recreation

Library

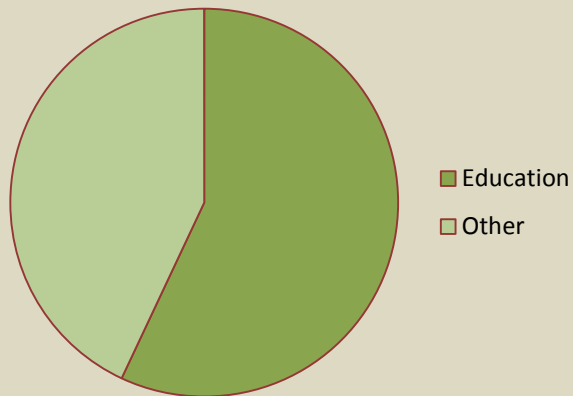
Planning & Code Enforcement

General Assistance



Education is the most expensive service

- Approximately \$1.1 billion in property taxes are spent on schools per year.
- **Over 57%** of property taxes fund pre-K - 12 education.



The cost of public education for students in pre-k through grade 12 is **the single biggest budget item for every Maine community.**

The approximate \$1.1 billion spent each year does not include state government's pre-K - 12 education funding each year, which brings Maine residents' total financial commitment to education to over \$2.1 billion a year or about \$10,500 for each of Maine's 199,000 students.

Property taxes have paid for local services in Maine since Colonial times

Property taxes have paid for local services in Maine since Colonial times. Hundreds of years later, there remains one major constant and one major difference.

Municipalities still have the power to decide what services they want in their communities and how much they are willing to pay for them. That ideal remains as treasured today as it was in the 1700s, as immigrants settled in New England and in 1820 when Maine became a state.

What has changed over time, however, is that property ownership is no longer a good indicator of a person's wealth or their ability to pay property taxes. This became obvious during cyclical real estate booms when home values increase far faster than personal income. People who own waterfront property can be particularly affected.



YOU control property taxes

Residents get a direct benefit from the property taxes they pay through the local services they receive.

Through town meetings or city councils, **residents have control over the amount of money that is raised through property taxes and where it will be spent.**



Town meetings and elected councils give direct local control

- 90% of Maine municipalities have annual town meetings
- 10% have elected councils



In 90 percent of Maine's municipalities, annual **town meetings**, with open floor debates and voting, are still the governing body that makes local taxing and spending decisions.

In the remaining 10 percent of cities and towns where **elected councils** have final budget authority, there is a clear process that allows residents to have great influence over taxing and spending decisions.

The self-governing that Mainers can enjoy can only be sustained by **engaged residents** who are willing to serve their communities, cast local votes based on solid and factual information, and make those decisions for the good of the entire community.

Homeowners and businesses pay property tax

Property taxes are:



- Based on the value of land and buildings on all residential and commercial property.
- Both homeowners and businesses pay the same property tax rate, also known as the “**mill rate.**”
- Not collected from non-profit “charitable” institutions (hospitals and nursing homes), colleges, churches, social service providers, and other organizations that are tax-exempt.

How is property assessed how are values figured out?

According to the Maine Constitution and State law:

- Assessed as of **April 1st** each year
- Based on **fair market value** by:
 - comparing the selling price of similar properties,
 - determining replacement value minus depreciation, and
 - evaluating income potential for income-producing properties.



In other words . . .

Tax assessors in Maine are required by law to determine the value of property as accurately and equitably as possible. The property tax is applied to the value of the property as of **April 1st** each year.

Tax assessors are also required by the State Constitution to assess property based on its “**just value.**” This is more commonly known as the “**fair market value**” or what a willing buyer would pay a willing seller for a piece of property.

Market value is assessed by comparing the selling price of similar properties. Land and buildings are valued separately as part of your property assessment. The overall assessment of a home on a waterfront lot is often valued far higher than an identical home without waterfront frontage.



In addition to sales-based calculations . . .

Tax assessors also use two other methods to help determine property value.

- One method calculates the cost of replacing a building minus how much the building has depreciated.
- The final method, which applies to income-producing property, evaluates how much rental income tax property could produce.



Waterfront homes . . . real estate boom

Assessing the value of many waterfront homes can be an issue.

During a real estate boom in Maine, the value of many waterfront homes increased about twice as fast as values on other types of property.

Perhaps those most negatively impacted from the boom were homeowners who suddenly had far greater property wealth but did not have a similar income growth to keep up with rising property tax bills.



State law provides assessing standards

Assessors are expected to:

- Assess property **at least 70%** of market value
- Assess property equitably making sure similar properties are treated the same way.



The Maine Legislature has enacted assessing standards to make sure municipalities tax property based on market value. One standard requires the assessing of property for at least 70% of its market value. Another standard requires that assessors value similar properties in a similar way and fairly.

Property taxes are levied based on a mill rate

The property tax rate—or the mill rate—is set by:

$$\frac{\text{Amount Voted to Raise by Property Taxation}}{\text{Total Value of the Community}} = \text{Mill Rate}$$

Property taxes are levied based on a **mill rate**. The mill rate, or tax rate, is established by the municipality's assessor, usually in mid-to-late summer before new property tax bills are issued. The mill rate is figured by dividing the amount needed to be raised by property taxation, which is the budget approved at town meetings or by the city council, by the total value of the community as of April 1st of each year.

Tax rates are based on each \$1,000 of value

**Each mill = \$1 in taxes
for every \$1,000 in property value**

Each mill on the property tax rate represents \$1 in taxes on \$1,000 in property value.

Therefore, if your home is valued at \$100,000 and your town/city's mill rate is 20, you would pay \$20 per \$1,000 in value or \$2,000 in property taxes for the year.

If the mill rate was 12, you would pay \$12 for every \$1,000 in property value or \$1,200 for the year.



Local control means “TAKING CONTROL”

Through direct local control, either through elected councils or, for the smaller communities, the annual town meeting, Maine residents decide how much to spend on an array of services. They also have direct control to hold local government accountable to implement their decisions.

Maine residents have every right to be **proud** of the quality of life they have created with their property tax dollars.

While state tax revenue is used to finance statewide programs and projects, **it's the local property taxpayers** who have made a commitment to clean and safe communities and whose money has financed the maintenance and improvement of Maine's cities and towns.



Essential services valued

There are some **basic municipal services** that are so essential there is no debate in most communities over whether they are needed. They include fire, police, trash disposal, road upkeep and upgrades, clean water & air, and enforcement of health and safety codes.

These services, and other popular local government services, such as the provision of libraries and recreation, are financed mostly with the property taxes that remain after bills are paid to the school systems and the counties.



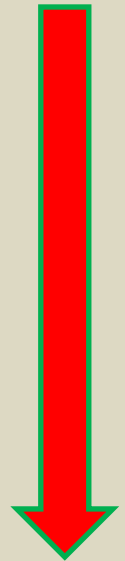
State programs provide property tax relief

- Revenue Sharing
- Property Tax Fairness Credit
- Homestead Exemption

More on revenue sharing

The Maine Legislature, influenced by residents and municipal leaders, have enacted three key property tax relief programs over the past 30 years that have helped to reduce the burden on the Maine property taxpayer. In recent years, the Legislature has scaled back on all property tax relief programs.

The oldest tax relief program is known as “**State-Municipal Revenue Sharing**,” which distributes a portion of all state sales and income taxes to Maine’s nearly 500 municipalities. Each community receives its annual share based on population and property tax burden.



The revenue sharing money received by a municipality must be used to reduce property taxes.

More on property tax fairness credit

In 2014, the Legislature enacted the **Property Tax Fairness Credit**, which offers tax refunds to property owners and renters who pay a certain amount of their income for property taxes or rent. **Unfortunately, many people who qualify for the credit do not file for their refund.** Residents are urged to contact their local town or city office or the state's Bureau of Revenue Services in Augusta to **apply for the refund.**



More on homestead exemption

In 1998, the Legislature responded to public pressure and passed the **Homestead Exemption** in recognition of the property tax burden faced by Maine residents.

The Legislature has changed the program many times over the last several years so that the current program provides an annual homestead exemption of **\$10,000** for the Maine homeowner's primary residence, but the state reimburses each town & city for just 50% of that lost tax revenue.

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\$10,000

Local government is closest to residents

A Brookings Institute (Washington, DC) study confirmed that **local government is the most accountable form of government in Maine.**

It also concluded that **municipal government in Maine, on the whole, provides services efficiently and without notable duplication.**

Brookings Institute www.brookings.edu



Local government leaders continue to work toward property tax relief, with a goal of reducing the rapidly increasing costs of pre-K -12 education and other programs that would have a direct impact on municipal costs.

You should know that . . .

For help with your tax or tax assistance programs:

Contact your local assessor

For help with general tax information or questions

- Maine Revenue Service, Property Tax Division
<http://www.maine.gov/revenue/propertytax/homepage.html>
- Maine Municipal Association, Resource Center - will help you locate info & resources (www.memun.org)

It's important to be informed about your property taxes and active during the decision-making process in your community as to how your money is spent.

